Merchant Sales

Best Practices | Maintaining Compliance

Prepared by: Financeit Canada Inc.

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Financeit.

Guidance on ethical sales practices and key regulatory Do's and Don'ts to help you more successfully offer your customers financing through Financeit.

Ethical Sales Practices



Sales Practices

In recent years, following some high profile instances of lenders opening deposit and financing accounts **without customer consent** in the U.S., there is increased regulatory focus on promoting ethical sales practices in Canada.



Mis-Selling

Don't give the consumer incomplete, unclear, or misleading information.

Don't try to increase overall sales or individual sales amount by matching products that don't satisfy the consumer's needs and circumstances.



Incentive Programs

Don't encourage sales through any means possible.

Consider whether a new incentive program will likely encourage sales through any means possible.

Create your sales strategy consistently with these principles and you'll be well on your way to offering financing in a responsible way your customers can **trust.**

Loan Application and Agreement | Do's and Don'ts

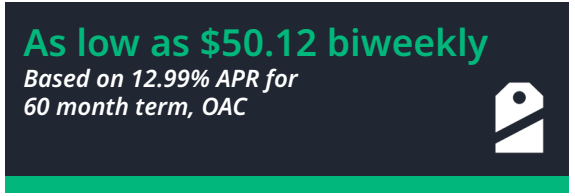
	Merchants Must		Remember
1	Facilitate Customer Loan Application Process		• Don't discourage customers from reading any consents or application language
2	Encourage customers to provide their email address and consent to electronic disclosures		• Customers who provide electronic consent are able to receive their disclosures related to their Financeit loan more quickly and efficiently • Customer's email address is required to access their loan documents on Financeit's secure portal
3	Provide copy of loan agreement to customer for their records		• Don't discourage customers from reading the loan agreement
4	Notify Financeit of Customer Request to Cancel Loan Agreement		• Notify Financeit promptly
5	Complete all work before customer signs Letter of Completion/Request Funds *(Home Improvement)*		• Delivery of all products and completion of all contracted services must be complete first • Customers must not sign the Letter of Completion at the time of loan agreement signing

Financing Ad Rules | Things to Remember

Advertising Disclosure Requirements

Ads aimed at consumers that list the interest rate, payment amount, or any non-interest charge **must also include:**

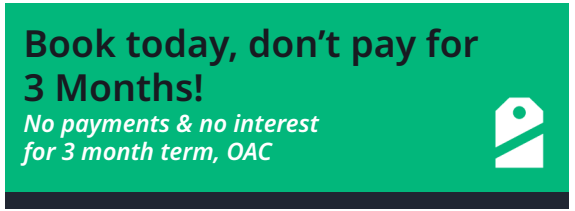
- Annual Percentage Rate (“APR”) **and**
- Loan Term



Interest Free Periods

Ads must also disclose just as prominently whether interest accrues during the time period. If interest doesn’t accrue during the time period, **the ad must disclose:**

- Any conditions that apply to forgiving the accrued interest
- APR for period conditions that aren’t met



Advertising Content Review: We’re here to help! Please **forward any proposed advertisements** to your Financeit Account Manager **for review** by our Legal and Compliance Department. Please allow for 5 business days for feedback.

Comparisons in Advertising | Do's and Don'ts

Consumers			Best Practices
1	Comparative Advertising		• Comparisons must be based on fact, able to be verified, and not misleading • Compare similar products and services
2	Disclose Key Details / Material Information		• Ads should provide the basis of the comparison • Don't omit material details
3	Disclaimers		• You cannot fix a false or misleading comparison with a disclaimer • Make prominent so consumers see it • Place close to the representation it relates to

Quebec Ad Rules | Do's and Don'ts

Consumers			Best Practices
1	Advertising a Product or Service		• Your ad can say "credit available", "credit offered", or "credit accepted" • Ad can use your merchant name, trademark, or corporate symbol • Ad cannot include any credit terms or conditions, including monthly payment amount, interest rate, etc.
2	Advertising Availability of Credit		• This type of ad cannot include a visual or description of a specific product or service • Ad must include the credit rate, applicable fees, payment periods, etc.
3	Combining Ad for Specific Product or Service with Credit Terms		• Recent Quebec Court of Appeals decision prohibits combining 1 and 2 in the same ad

Email Communications | CASL Implications

What Communications are Covered:

- Applies to Commercial Electronic Messages (“CEMs”) you send to a consumer’s electronic address
- **Consumer consent needed** to send them emails, texts, and other messaging to mobile phones offering your products or services
- Consumer consent **cannot** be requested by email, text, or social media
- Any CEM sent **must include** a functioning unsubscribe mechanism

CASL Enforcement and Penalties:

- The Canadian Anti-Spam Legislation (“CASL”) came into effect in 2014
- CASL enforcement is shared by the CRTC, OPC, and the federal Competition Bureau
- **Maximum Individual Penalty:** $1 MM CAD
- **Maximum Business Penalty:** $10 MM CAD
- Individual directors and officers of your business may be held liable for violations

Key Takeaways:

- **NOTE:** You can send an email to a customer who has requested your services and has provided their email to facilitate the transaction *(i.e. to schedule a home visit)*
- Any CEM you send must include a functioning unsubscribe mechanism

Rules to Reduce Fraud

No Loan Brokering

- **Loan Brokering** occurs when a merchant provides loans to borrowers *(for any purpose)* rather than providing home improvement, retail, or vehicle lending services to borrowers
  - Financeit **only** contracts with merchants
  - Financeit **does not** contract with anyone involved in loan brokering activities

Family Members

- **Owners/Directors** of the business *(or their spouses, family or dependents),* Business Managers, or Finance and Insurance (F&I) employees **cannot apply** for a loan
- **Employees must never** submit loans for themselves
- This policy helps **minimize the risk** of conflicts of interest

Prohibited Activities | Cash Rebates

What is a Cash Rebate?

A cash rebate occurs when the customer requests financing for an amount greater than the requested product or service, and then has the merchant pay them the difference in cash.

- **Example:** Customer obtains a $40,000 quote from merchant to complete a kitchen renovation.

  Customer applies for a loan in the amount of $50,000 and the merchant invoice says the renovation cost is $50,000.

  The merchant gives the customer $10,000 in cash and completes the renovation for $40,000.

What is Wrong with Cash Rebates?

- Giving cash back to the customer **violates the General Dealer Agreement (“GDA”)** with Financeit
- **Violates Financeit’s Loan Disclosure** with your customers: Financeit loan disclosures to customers are based upon the merchant receiving all funds following completion of all work
- Giving cash loans are a form of **“soft” fraud**

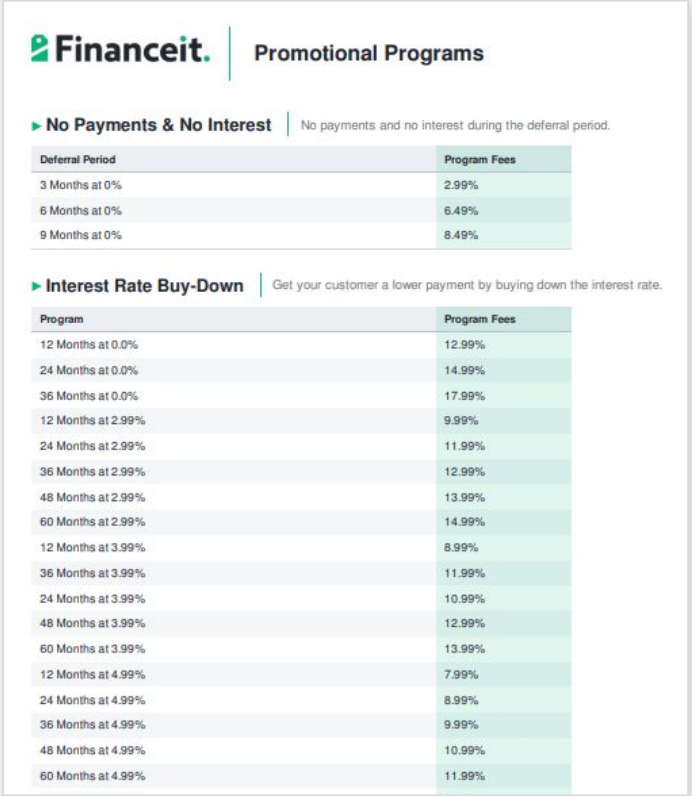
Rate Buy-Down and Customer Invoice Rules

Merchant Rate Buy-Down Rules

A Buy-Down is when you reduce *(or buy-down)* the interest rate that you present to the customer. Rates can go as low as 2.99% for 3-5 years.

Financeit's Rate Sheet lists the Buy-Down rate you pay to offer your customer a lower interest rate.

- **Dealer pays** the Buy-Down rate, not the customer
  - Customer invoice cannot include Buy-Down
  - Charging the customer a Buy-Down is a **violation** of regulatory requirements



Financeit. | Promotional Programs

▸ **No Payments & No Interest** | No payments and no interest during the deferral period.

Deferral Period	Program Fees
3 Months at 0%	2.99%
6 Months at 0%	6.49%
9 Months at 0%	8.49%

▸ **Interest Rate Buy-Down** | Get your customer a lower payment by buying down the interest rate.

Program	Program Fees
12 Months at 0.0%	12.99%
24 Months at 0.0%	14.99%
36 Months at 0.0%	17.99%
12 Months at 2.99%	9.99%
24 Months at 2.99%	11.99%
36 Months at 2.99%	12.99%
48 Months at 2.99%	13.99%
60 Months at 2.99%	14.99%
12 Months at 3.99%	8.99%
36 Months at 3.99%	11.99%
24 Months at 3.99%	10.99%
48 Months at 3.99%	12.99%
60 Months at 3.99%	13.99%
12 Months at 4.99%	7.99%
24 Months at 4.99%	8.99%
36 Months at 4.99%	9.99%
48 Months at 4.99%	10.99%
60 Months at 4.99%	11.99%

Thank you.

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